AGRICULTURAL OUTLOOK DIGEST

Approved by the Outlook and Situation Board, April 28, 1975

Price and Income Prospects for 1975

What will indications of greater farm output, in conjunction with the fortunes of the general economy, mean for farm prices and incomes this year? Importantly, what can consumers expect from these changes when they check out at the supermarket?

The two principal keys to the outlook for U.S. agriculture in 1975 are the size of 1975 crop production and general economic conditions, both at home and abroad.

Farmers' March planting intentions imply we could get a record crop output—if the weather cooperates. If so, we can meet prospective needs in domestic and foreign markets barring significant shortfalls in the rest of the world. If 1975 crops are large, agriculture could be a major contributor to general price stabilization. However, that would not necessarily mean profitable returns to farmers, since large world crops would likely mean lower prices at a time when production costs are rising.

It's unlikely that we will get a rerun of 1974's weather-reduced production. But if we did, and considering the low carryover stocks indicated at the end of the current marketing season, we would see sharply higher prices for farm products, and in the following year, a renewal of the inflationary food price spiral, and continued reductions in our livestock inventory—which could have repercussions for the next several years.

First-Half Impact

Through midyear, the outlook is being dominated by last fall's poor grain production, the cutback in livestock feeding and output, and a worldwide easing in economic activity. Forecasts through midyear point to average prices for crops well below both the first and second halves of last year. With relatively small stocks, crop prices are likely to be subject to sharp fluctuations, depending on changes in disappearance and developing prospects for 1975 production.

The key factors for livestock production in the first half are low feed availability, high feed prices, and a record large cattle inventory.

Hog and poultry producers have worked off their inventories. But these reductions in production have not yet resulted in very much price strength—largely because of the record cattle slaughter. So, livestock producers' profits are still being badly squeezed by high production costs.

Second-Half Prospects

If farmers carry out reported planting plans and we have a return to more normal yields, we could easily end up with a record level of crop production this year. Boosts in

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Food News

March retail food prices were slightly below the February level and about 7 percent above a year earlier. Some further food price increases are likely during the second quarter of 1975 with rising meat prices accounting for most of the change.

But, relatively little change is expected in the average of food prices for the second half of the year. Unfavorable weather, with crop harvests similar to those of 1974, would likely result in some acceleration in price increases late in the year. However, liquidation of cattle herds would probably swell red meat supplies, beginning this summer, holding food prices temporarily in check. Conversely, prospects for very large crops may temporarily reduce meat supplies and send prices up further this summer, but set the stage for declining prices in the fall.

For all of 1975, the increase in retail food prices is likely to be well below the jumps of more than 14 percent recorded for 1973 and 1974. Much of the year-to-year increase between 1974 and 1975 will reflect price increases which have already occurred.

In 1974, the farmer's share averaged 43 cents out of each dollar the consumer spent for the market basket of farm foods. The share started the year at 46 cents in January but ended at 41 cents in December. Present forecasts indicate the farm value will average slightly lower in 1975.

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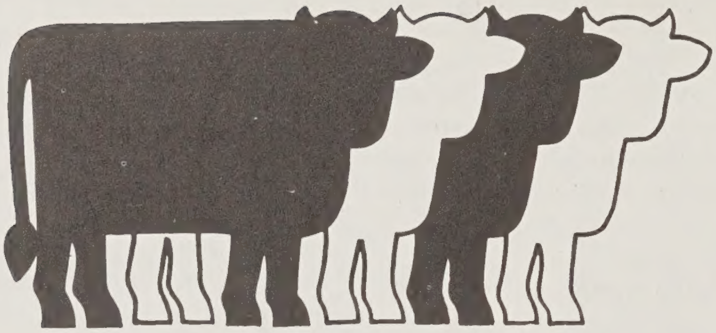
Commodities



CATTLE INDUSTRY AT THE CROSSROADS

The cattle business is in a jam. Supplies are large and still growing. Costs are high, both for feed and purchased inputs, especially in relation to recent cattle and calf prices. The market has been suffering from the impact of inflation and unemployment on the consumer's spending power.

Actually, this description of economic conditions also fits many other U.S. industries these days. But manufacturers are able to alleviate their oversupply problems by slowing down or shutting down for a time while excess inventory clears out. In fact, manufacturers' inventories have dropped at a record pace in recent months, a prerequisite to economic recovery later in 1975.

With a 2-4 year turnaround time for changing the direction of cattle output, the livestock industry is not so flexible. Cattle slaughter will likely be record large this year, and may jump 8-10 percent over 1974's 37 million head. But cattle and calf slaughter this year would have to rise 15 percent to stop the expansion in the U.S. cattle herd.

Considerable time will be required to take care of the oversupply problem, as the cow herd and calf numbers are gradually worked down. Meanwhile, cattlemen are concerned with other factors which are shaping their 1975 prospects. One of the most important is the state of the economy. Fortunately, it looks like the second half of 1975 may bring some relief from depressed economic activity. Inflation shows signs of abatement and unemployment may begin to recede, albeit slowly.

That leaves cattlemen with two big questions to ponder: "What will my costs be?" and, "What will happen to cattle prices?"

To a large extent, the answers to those questions lie, literally, in the heavens. Favorable weather could bring an ample feed grain crop and, presumably, lower feed grain prices. Yet, another year of devastating weather would clearly spell a crisis in higher feed prices and minimal supplies. Here is a more detailed look at what this summer and fall may bring, given either of these weather-keyed alternatives:

To begin with, the picture is brightening a little with the greener pastures of spring. Some of the pressure on slaughter cattle prices is being relieved by cattle moving back to grass. Slaughter supplies have already begun to drop off and both pork and broiler output will be down, improving prices of all classes of cattle.

Prices of fed cattle and feeder cattle are picking up this spring. Higher fed cattle prices may lead to a small increase in placements of cattle in feedlots from the severely depressed level of last year, unless feed prices rise sharply again.

Slaughter prices in the second half of this year could be quite volatile and will be heavily dependent on pasture and range conditions and prospects for the feed grain harvest.

Best Weather

The best growing conditions for crops and pastures this summer would tend to produce the least amount of beef late in the year. More feeder cattle would begin moving into feedlots, cow slaughter probably would stabilize at a high level, and fed beef output would remain low. Thus, a sharp decline in feed prices by midsummer could temporarily cut into our beef supplies as placements surge and nonfed slaughter drops.

With less beef, cattle prices could move sharply higher with fed cattle possibly topping $50 per hundredweight. This condition, however, would only be temporary, and would tend to delay the

adjustment in cow herds which is now underway. The resulting larger slaughter of heavier fed cattle in early 1976 would tend to push prices lower again and heavy cow culling would resume.

Any surge in feedlot placements later this year would likely appear first in the Corn Belt. If corn prices decline much, grain farmers would again be ready to market corn through livestock. Hog numbers will be small and could not be expanded enough next fall and winter to consume large feed supplies. But with ample feeder cattle supplies, many Midwestern farmers could feed more of their corn to cattle.

Worst Weather

Now suppose there were poor growing conditions—both on the range this summer and in terms of another restricted feed grain harvest next fall: Continued high feed prices would result. And that would tend to produce the largest beef and veal supplies later in the year as nonfed steer, heifer, and cow, and calf slaughter all rose dramatically. Prices next fall would likely be at or below last winter's depressed levels.

With summer drought, feed supplies would not be adequate to sustain the cattle herd outside feedlots through another winter. Feeding activity would continue to wind down and even larger numbers of feeder calves, steers, and heifers would go directly to slaughter. Slaughter under these conditions could be large enough to reduce the herd by January 1, 1976, leading to a drop in beef output during 1976. Prices might then rise sharply by the end of 1976. Thus, summer weather could prove critical for beef output several years down the road.

Between both weather extremes is "normal" weather, which was abnormally scarce in the past year. With fair weather and a reasonably good feed grain crop this fall, the cattle industry could be still struggling under burdensome slaughter supplies for another year or so. Large slaughter of nonfed cattle in 1975 may be replaced by larger fed cattle marketings in 1976 if feed supplies increase and prices decline. Cow slaughter in 1975 is expected to be up nearly a fourth from 1974's already high 7½ million.

By 1977 the industry will likely be working back into the early stages of another growth phase, with the first general sustained price improvement at that time.

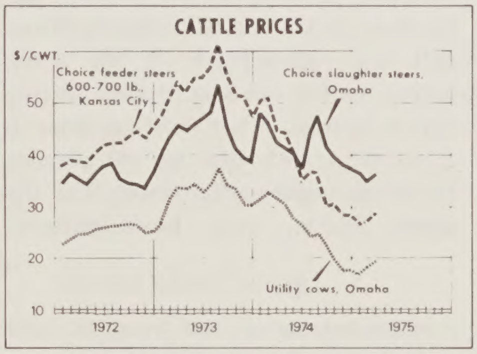
Prospects Through 1976

Cattle slaughter may rise 8-10 percent above 1974's record number, perhaps to 40 million head. And 1976 slaughter may increase an additional 2-4 million head. Calf slaughter may be up even more sharply than cattle, rising a third in 1975, to 4 million. But if cattle feeding picks up, calf slaughter will drop in 1976.

A big beef supply is coming from the exceptionally large cattle kill. Slaughter weights are down for the first half but, even so, total beef supplies this year may weigh in 6-8 percent more than last. Another 5-7 percent increase is possible for 1976.

Per capita beef consumption may be a record 120 pounds or more this year, compared with the 1974 record of over 116 pounds. Per capita supplies could be even bigger next year.

Fed cattle prices may move down to the upper-$30's in summer and fall as slaughter increases seasonally to record levels.



Grade Change Delayed

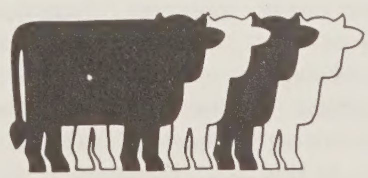
A revision of U.S. grade standards for beef, which had been scheduled to go into effect on April 14, has been delayed pending resolution of a lawsuit brought against USDA by the Omaha Independent Meat Packers Association in the U.S. District Court in Omaha, Nebraska.

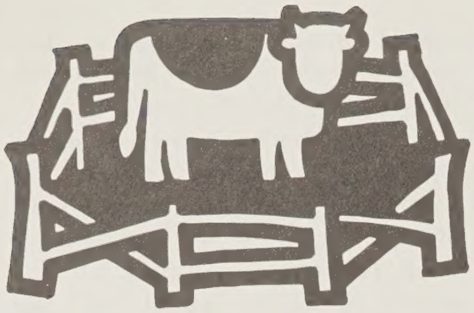
In denying USDA's request to overturn a preliminary injunction, the Court of Appeals ordered the District Court to hold a hearing on the merits of the case and render a decision within 45 days.

Livestock Production Up, Income Down

Farm production of meat animals (total live weight) was up 2.6 percent in 1974 to 63.6 billion pounds, while income and cash receipts from marketings declined. Cash receipts from marketings of cattle, hogs, and sheep in 1974 amounted to $25.2 billion, a 17-percent decline from the previous year.

Cattle and calves accounted for two-thirds of 1974 total meat animal production and for all of the increase over 1973 total production. Production of cattle and calves totaled 42.7 billion pounds, up 4 percent from a year earlier. However, cash receipts fell 20 percent from 1973 to $17.9 billion and gross income declined 19 percent to $18.4 billion.





Cattle Feeding Recession

The 23-States Cattle on Feed report released in mid-April showed further reductions in cattle feeding during the past few months, and reported plans by feeders to reduce marketings of fed cattle even more sharply in the months ahead.

The April 1 inventory of cattle in feedlots stood at 8.5 million head, down 31 percent from last year and the fewest for that date since 1963. Cattle feeders met earlier intentions and marketed 5.5 million fed cattle during January-March, 9 percent fewer than a year earlier, but about the same as marketings in the third and fourth quarters of 1974. Marketings in the winter far outpaced placements, reducing the April 1 inventory 12 percent from the January 1 level.

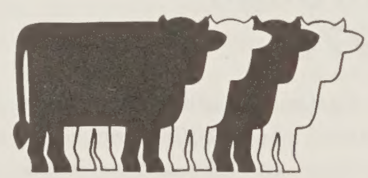
Intentions for April-June are for 4.7 million fed cattle to be marketed, the fewest for the spring period since 1965 and well below the level of the past 9 months. Fewer fed cattle, an expected seasonal reduction in cow slaughter, and smaller pork supplies will help maintain strength in spring fed cattle prices.

Weekly slaughter rates have dropped substantially from near-record levels earlier this winter. Choice steers at Omaha at the end of April were selling near $44 per 100 pounds, up over $10 from March lows. Most of this price strength should be sustained through the April-June quarter. Although seasonally smaller than the winter, cattle slaughter in April was still about 10 percent above a year ago.

Higher fed cattle prices and stable feed prices have helped to improve profit margins recently. This could promote movement of cattle into feedlots in the months ahead. While still low, placements in the seven major cattle feeding States during March increased for the first time in 8 months, and were up 20 percent from the year-earlier level. Of the seven States, only Iowa reduced placements in March. Placements during the spring will likely show further advances from the depressed level of a year ago. However, profit margins will continue to be tight and any decline in the fed cattle could mean mounting losses once again for cattle feeders. Feeder cattle prices have moved higher with the fed cattle market, rising from lows of $27 per 100 pounds in February to over $21 during the last week of April for Choice 600-700 pound feeders at Kansas City.

Farm Slaughter Increased

Depressed livestock markets in 1974 prompted farmers to slaughter more animals for home use. Farm slaughter of cattle and calves in 1974 increased almost 50 percent from 1973, totaling 700,000 head. Farm slaughter of hogs rose 25 percent to 1.3 million head, while farm slaughter of sheep and lambs was 226,000 head, up 12 percent from 1973.



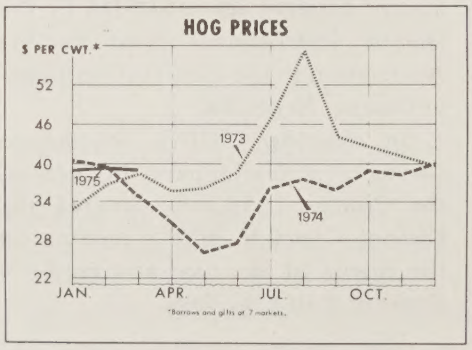
Hog Outlook

Through the first half of 1976, the hog outlook is one of smaller slaughter supplies and strong prices.

Farmers' intentions to have 20 percent fewer sows farrow during December 1974-May 1975 will likely be met. This would lead to a 15 to 20-percent reduction in pork supplies in the second half of 1975, following the 12-percent cut estimated for the first half of this year. Total 1975 pork production will likely be the lowest in 9 years.

Another cut is likely for the fall pig crop, reducing slaughter for first-half 1976. Hog farmers traditionally have not begun to expand production during the fall farrowing season and will not likely do so this year. However, if we have a larger harvest of feed grains this fall and lower feed prices, expansion could begin with the December 1975-February 1976 pig crop, possibly followed by a larger increase in March-May 1976. This would produce more pork in the last half of 1976.

Hog prices are expected to remain strong this year and average in the low $40's, $5-$7 above the 1974 level. Large beef supplies will likely limit advances in hog prices during the summer when pork supplies are the smallest. Nevertheless, barrows and gilts this summer could average near $45, peaking as high as $50.



Most hog feeders are now breaking even and will do well through 1975. The best conditions are expected in fall 1975 and winter 1976, if this year's corn crop is large enough to push corn prices lower.

What the retailers have to offer consumers in the way of beef, they lack in pork. Per capita pork consumption may drop to 58 pounds or less in 1975, down from the 66 pounds consumed last year and the lowest in 40 years. No significant increase in consumption levels is likely for 1976.

Projected 1975/76 crop supplies and utilization[1]

Item	Wheat	Rice	Feed grains	Corn	Soybeans	Cotton
	Mil. bu.	*Mil. cwt.*	*Mil. s. ton*	*Mil. bu.*	*Mil. bu.*	*Mil. bale*
Supply:						
Old crop stocks	230- 230	13.4 13.4	14.6- 14.6	360- 360	185- 185	6.3
Output and imports	2,026-2,226	113.0-120.0	205.2-229.6	5,747-6,400	1,450-1,550	([3])
Total	2,256-2,456	126.4-133.4	219.8-244.2	6,107-6,760	1,635-1,735	- - -
Utilization:						
Domestic	791- 816	38.3- 38.6	155.9-167.8	4,350-4,600	[2]820- 870	6.0- 6.5
Exports	1,050-1,200	61.2- 70.4	38.4- 46.0	1,100-1,300	425- 475	3.8- 4.3
Total	1,841-2,016	99.5-109.0	194.3-213.8	5,450-5,900	1,245-1,345	9.8-10.8
Ending stocks	415- 440	26.9- 24.4	25.5- 30.4	657- 860	390- 390	- - -

[1] 1975/76 begins July 1 for wheat, August 1 for rice and cotton, September 1 for soybeans, and October 1 for corn. [2] Includes crushing, seed, feed, and residual uses. [3] USDA is prohibited from estimating production prior to release of the August Crop Production Report.

April Stocks

April 1 grain stocks included substantially less soybeans and feed grains but more wheat and rice than a year before.

Confirming recent projections of feed grain use by USDA, April 1 feed grains stocks of 76.2 million short tons were 26 percent smaller than a year before. Corn stocks of 2.2 billion bushels were 23 percent smaller, and sorghum stocks of 209 million bushels were about half those of a year before.

The feed grain stocks level implied that disappearance since last fall ran about 17 percent less than in the 1973/74 season. Exports were heavy, but domestic use was off a fifth. For the remainder of marketing season, domestic use of feed grains will retain its low profile. And exports will cool down, too, especially as the Southern Hemisphere feed grain crops hit the markets this summer.

April 1 soybean stocks of 659 million bushels were 11 percent smaller than last year and somewhat smaller than anticipated by USDA forecasts. Stocks of soybeans for next September 1 are forecast at 185 million bushels.

However, USDA forecasts of soybean usage for both the current marketing year and for 1975/76 have been revised downward recently. Both domestic crush and export forecasts were trimmed. At the same time, increased soybean plantings and more normal yields are anticipated for the 1975 crop. This means that soybean stocks could rebuild in 1975/76, perhaps doubling the level anticipated for next September 1.

Rough rice stocks on April 1 totaled 34.3 million hundredweight, 29 percent larger than a year before. Milled rice stocks, though, at 4.3 million hundredweight, were a fifth smaller.

Wheat Use Strong

April 1 stocks totaled 638 million bushels, 17 percent above a year earlier. However, disappearance in the January-March quarter had totaled 463 million bushels, well above the year-earlier level. And disappearance of 1974 crop wheat may total about 1.8 billion bushels, only 100 million less than in the prior season. In view of smaller total wheat supplies, this will leave a carryover of only 230 million bushels on July 1, the smallest in over two decades.

Wheat exports have held at a high level this season. At 1.1 billion bushels, they are estimated only slightly smaller than in 1973/74. Domestic use has also approached that of last season, and will exceed 700 million bushels.

Based on the planting of several million more acres of wheat for 1975 harvest (actual winter plus projected spring seeding) and assuming a recovery in yields to at least 30 bushels per acre, wheat supplies for 1975/76 will likely be large enough to allow for increased domestic use, large exports, and a larger carryover, perhaps exceeding 400 million bushels, on July 1, 1976.

Vegetables

Acreage for harvest of 14 spring fresh market vegetables is 1 percent larger than the same quarter of 1974. Based on average yields instead of last spring's high yields, this would suggest a slightly reduced supply. In addition, a smaller acreage of spring melons implies moderately smaller output.

Retail prices of fresh vegetables, excluding potatoes, rose about a tenth between the last quarter of 1974 and the first quarter this year. This level is likely to hold through the spring—both farm and retail prices for fresh vegetables are likely to average level to slightly higher than in the prior quarter. Some seasonal price decline is likely during the third quarter of the year. For all of 1975, retail fresh vegetable prices may average moderately higher.

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Prospects for 1975

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winter wheat plantings and soybean acreage intentions are about offsetting a sharp reduction in intended acreage for cotton.

A large grain crop would be the first requisite for a turnaround in the fortunes of the livestock industry. On the other hand, a repeat of 1974's poor weather performance could mean more beef this year but a sharp reduction in the capacity to produce in coming years. This would mean less meat available when the economy—and thus demand—would be making an expected recovery in 1976 and it would also mean a smaller potential demand for the 1976/77 grain crops.

Also, sizable increases in 1975 crop production will be a critical factor in our outlook for agricultural exports. The climate for U.S. exports in 1975/76 will be affected not only by the size of our exportable supplies but also by food output and economic developments in other countries. Several of our important trading partners face slow or negative growth rates during the year. In addition, many countries are limiting imports through tighter fiscal and monetary policies as a means of adjusting to the higher cost of oil. But we expect that the level of our agricultural sales abroad will stay high in fiscal 1975/76—if we have ample exportable supplies.

Lower Prices

Prices received by farmers will average lower this year than in 1974. Livestock and product prices will average about the same as a year earlier, especially if we get a big increase in crop output. Although livestock and product prices averaged 19 percent lower in the first quarter than a year earlier, prices of hogs and cattle have strengthened in recent weeks.

Prices received for meat animals this year will average much the same as in 1974. Reduced output and higher prices for hogs will tend to offset lower average prices expected for big supplies of cattle. Poultry and egg prices will likely average higher than, and milk prices much the same as, in 1974.

On the crop side, farmers' prices are expected to average lower than in 1974. All the crop groups except tobacco and commercial vegetables are expected to be lower than a year earlier, with food grains, cotton, potatoes, and dry beans showing the largest declines.

Income Outcome

Lower prices this year and about the same volume of marketings would force a decline in cash receipts from the $95 billion estimated for 1974. Crops account for all of the expected decline. Cash receipts from livestock and products would be much the same as 1974. Gross farm income would also be down.

With a normal crop, production expenses would be about the same or a little higher, with lower outlays for purchased feed and feeder livestock offsetting much of the increase in prices for inputs of nonfarm origin.

The same or higher farm production expenses with lower gross farm income would result in a substantial decline in realized net farm income—to around $20 billion. This would be a sharp drop from the record high $32 billion in 1973 and the estimated $27 billion for 1974.

It looks like farmers won't have to scramble for supplies this year. The farm input supply situation has improved markedly. Gasoline and diesel fuel inventories are both well above a year ago and no shortages appear likely. Machinery manufacturers are slowly rebuilding inventories and farmers should have little trouble securing equipment. Supplies of baling wire and twine are adequate. Phosphate and nitrogen supplies are up sharply from a year ago. But pesticides remain comparatively short. In general, supplies are available but prices are higher.

Vegetables

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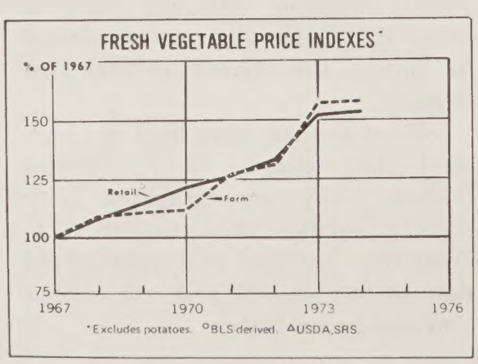
Processed Vegetables

Supplies have been ample this season. The combination of increased packs and some reduction in demand has eased the tight supply position which prevailed for much of 1974.

In response to a generally adequate supply picture, processors handling 8 major vegetable crops expect to contract for 3 percent more vegetable acreage in 1975. These 8 vegetables—which include lima beans, snapbeans, tomatoes, sweet corn, peas, beets, cucumbers for pickling, and spinach—account for about 90 percent of all processed vegetable tonnage. This year there is further expansion of tomato and pickle cucumber acreage.



With average yield conditions, 3 to 5 percent more vegetables for processing might be expected this coming season. A larger total canned pack is likely for 1975, but because of large inventories freezers may cut back moderately to avoid excessive supplies in 1975/76.

Potatoes

The spring crop production estimate is down a fourth, but prices to Eastern growers are expected to be generally weak well into the spring quarter. Western Russet Burbank prices have shown recent strength. Growers intend to plant 5 percent less summer and fall acreage.

Foreign Focus

Farm Trade Crisis Never Came to Pass

We live in an age of sharp, unpredicted changes and of dire predictions. One of the sharpest changes was the escalation of oil prices by the oil-exporting (OPEC) nations in late 1973. And one of the direst predictions was that paying oil bills would drain many countries of their foreign exchange reserves, preventing them from maintaining import levels for food and other commodities.

Those who predicted that the oil-importing nations (including our own) would ship dollars to the OPEC members by the barrelful in 1974 were correct. OPEC countries earned $100 billion from total exports (mostly oil) last year. Their international monetary reserves shot up from $15 billion to $47 billion.

Paying for oil did cause the trade balances of many nations to tilt precariously on the deficit side. But it did not bankrupt these nations, nor bring to a halt foreign trade in other essential commodities such as food.

What follows is an explanation of how the world weathered its first year of higher oil prices. It is a "look back" rather than outlook, and it may not provide any indication of how future crises can be weathered. The following material is taken from a recent speech by Economic Research Service economist O. Halbert Goolsby:

Immediately after OPEC raised the price of oil in the last quarter of 1973 USDA became concerned that some of our major overseas markets for agricultural products would face overwhelming balance of payments problems.

Dollar Shortage Foreseen

As a consequence of a "dollar shortage," overseas demand for our farm commodities might level off or even decline. (This was of particular concern since all U.S. acreage limitations on the production of major crops had just been lifted for the first time since the Korean conflict.) Four major markets for our farm products appeared to be especially vulnerable—Japan, the United Kingdom, France, and Italy.

Yet, despite the balance of payments problems of these and many developing countries and sluggish economic activity around the world, U.S. farm exports during calendar year 1974 were at a record level of $22 billion—up one-fourth from 1973 in terms of value. In terms of volume these exports were down 6 percent.

The increase in farm exports was $4.4 billion in total, and $4.9 billion excluding our trade with communist countries. As a group, these countries do not have a net trade deficit.

Nearly 17 percent of the $4.9 billion increase in noncommunist trade resulted from increased exports to OPEC countries. U.S. agricultural exports to OPEC of $1.6 billion were more than double the 1973 level.

Even to the non-OPEC developing countries, our exports were up $1.9 billion, or 42 percent, accounting for 37 percent of the 1974 increase in U.S. farm exports. Where did they get money for imports?

In the first place, some of the non-OPEC developing countries are more or less self-sufficient in oil. This includes Malaysia, Mexico, Bolivia, Egypt, Colombia, Tunisia, and several other smaller countries.

Furthermore, none of the money associated with the increase came from our food aid programs. Exports under these programs were down 8 percent in 1974 to a level of $922 million—the least in two decades. And in general the money did not come from a drawdown in international reserves. Foreign exchange reserves of the non-OPEC developing countries equaled about $34.1 billion, $3.8 billion higher at the end of 1974 than at the beginning.

To some extent, higher export earnings helped pay for oil imports. Prices of commodities exported by developing countries rose about 35 percent on the average in 1973, and they climbed further during the first half of 1974. They have dropped significantly since mid-1974, however, and further declines are expected as long as economic slowdowns continue in the developed world.

Excluding oil-exporting countries, exports of the developing countries increased about 42 percent to $95 billion. But their imports increased by 51 percent to about $119 billion. This netted them a $24-billion trade deficit.

Borrowing to Pay Bills

Most of the adjustment to higher oil prices by developing countries was made by borrowing. These nations borrowed $1.5 billion through the IMF's credit facility, including $922 million from the new "oil facility." In addition, they borrowed more than $8.4 billion from the Eurocurrency market, and a

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considerable amount from direct and indirect loans and credits by OPEC nations. Thus, they managed fairly well the first year.

Developed nations accounted for 45 percent of the 1974 increase in U.S. farm exports. Developed countries borrowed $1.8 billion from the IMF, including $1.1 billion borrowed under the oil facility. In addition, they borrowed more than $18.7 billion from the Eurocurrency market and received more than $12 billion from investment or credits from OPEC nations.

Although exports by the developed nations increased one-third to $546 billion, imports increased 42 percent to $613 billion. This netted them a $67 billion trade deficit. However, because of exports of services, borrowings, and other capital inflows, international reserves of developed nations actually increased about 3 percent.

In total, the oil-importing world incurred a current account deficit with OPEC of about $60 billion. This impeded neither our farm exports nor world trade in general. But it required considerable effort and cooperation among oil importing countries and between these countries and OPEC.

Paying for expensive oil, of course, continues to be a problem. Export prices received by developing countries for their exchange-earning commodities have declined, weakening their exchange reserves positions. And, over the next several years, some countries will face balance of payments pressures as they repay the loans they are now undertaking.

Africa Sets Output Record

Last year was marked by disastrous weather in many areas of the globe, causing overall food production to decline. But Africa enjoyed record farm output, 7 percent higher than in 1973.

The food production portion of Africa's total farm output also increased 7 percent to a record 127 percent of the 1961-65 average. But with constantly rising population, food production on a per capita basis increased only 4 percent, and was still only 96 percent of the 1961-65 average.

The three top agricultural producers in Africa are Nigeria, South Africa, and Egypt. Larger grain and peanut production pushed Nigeria to a record output level. South Africa produced a record 11-million metric ton corn crop, which sent total agricultural output up by nearly half for 1974 and increased its current export potential. Egypt increased output slightly. Cotton production slipped but corn and rice crops were larger.

Africa was a booming market for U.S. agricultural exports in 1974. Value of these exports doubled to $1.4 billion. Over half the increase was due to larger wheat and other grain shipments.